

File

NEW MOUNT COSTIGAN
MINES LIMITED

Annual Report
1970

NEW MOUNT COSTIGAN MINES LIMITED

OFFICERS

D. W. KNIGHT	-	-	-	-	-	-	-	-	-	-	<i>President</i>
F. G. TOWNSEND	-	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
G. D. PATTISON	-	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
R. D. BELL	-	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>
D. A. HUMBY	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary</i>
J. P. BRISBOIS	-	-	-	-	-	-	-	-	-	-	<i>Assistant Treasurer</i>

DIRECTORS

NICKOLAS AXIOTIS	-	-	-	-	-	-	-	-	-	Warren, Ohio, U.S.A.
R. D. BELL	-	-	-	-	-	-	-	-	-	Toronto, Ontario
P. S. CROSS	-	-	-	-	-	-	-	-	-	Toronto, Ontario
D. W. KNIGHT	-	-	-	-	-	-	-	-	-	Toronto, Ontario
G. D. PATTISON	-	-	-	-	-	-	-	-	-	Aurora, Ontario
F. G. TOWNSEND	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
W. L. YOUNG	-	-	-	-	-	-	-	-	-	Sydney, Australia

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA	-	-	-	-	Toronto, Ontario
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AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON	-	-	-	-	Toronto, Ontario
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HEAD OFFICE

34 ADELAIDE STREET WEST	-	-	-	-	-	-	Toronto, Ontario
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NEW MOUNT COSTIGAN MINES LIMITED

Directors' Report

To the Shareholders:

Accompanying this report are the consolidated financial statements of your Company and its Australian subsidiaries for the year ended December 31, 1970 with Auditors' Report to the shareholders dated February 26, 1971. Consolidated net income of the Company and its subsidiaries amounted to \$81,645 as compared to a loss of \$173,578 in the year 1969.

COSTIGAN MINING AUSTRALIA PTY. LIMITED (100% owned)

This wholly owned subsidiary, incorporated in Australia under the laws of New South Wales, holds 68% of the issued and outstanding ordinary shares of Naracoopa Rutile Limited, which operates a rutile-zircon beach sand mining installation at Naracoopa, King Island, located in Bass Strait between Tasmania and the Australian mainland.

NARACOOPA RUTILE LIMITED (68% owned)

Naracoopa's operations on King Island showed a marked improvement during 1970 although the projected production levels anticipated at the commencement of production have not yet been reached. Mining continued during the year on the Sea and Milford beaches. Mine production amounted to 7,408 tons of rutile and 6,075 tons of zircon from treatment of 128,810 tons of beach sands with a heavy metal content of 58% and a combined rutile-zircon grade of 14.6%. Revenue from production was \$A978,258 which resulted in a net profit of \$A202,223, after charging depreciation \$A124,714, and writing off intangible assets, \$A5,155 and exploration costs \$A7,088. Revenue from production was based on a net price of \$A82.00 per ton of rutile and \$A30.00 per ton of zircon. It is expected that rutile production in 1971 will be sold at prices at least 50% higher than 1970 prices.

The various problems which have hindered maximum throughput have received close attention and numerous changes in the treatment plant have been undertaken including the installation of additional wet magnetic separators and a new drier.

Construction of a 150 ton per hour primary concentrating plant to treat the lower grade Lanherne Beach deposit should be completed and operating by mid 1971. Exploration in the Naracoopa area last year indicated extension of the Lanherne deposit.

Sufficient reserves have been indicated to maintain the operation at designed capacity to the end of 1976.

The ordinary shares of Naracoopa Rutile Limited have been listed on the Sydney Stock Exchange.

GENERAL

Your Company maintains its 10% carried interest in the issued common shares of Comstaff Proprietary Limited which holds a 600-square mile concession in northern Tasmania. Exploration work on this concession continued throughout the year under the direction of Anglo American Corporation (Australia) Limited. Approximately \$500,000 was spent on this concession during 1970.

On behalf of the Board,

D. W. KNIGHT,
President.

Toronto, Ontario,
June 3, 1971.

NEW MOUNT COSTIGAN MINES LIMITED

(Incorporated under the laws of Ontario)
AND ITS SUBSIDIARIES

Consolidated Balance Sheet — December 31, 1970

(with comparative figures at December 31, 1969)

ASSETS

CURRENT ASSETS

	1970	1969
Cash and short term deposit	\$ 190,991	\$ 1,164
Accounts receivable	30,421	1,481
Concentrates on hand, at estimated net realizable value	108,711	224,440
Supplies, at cost	19,378	17,734
	<u>349,501</u>	<u>244,819</u>

INTERESTS IN OTHER COMPANIES, at cost (no quoted market value)	89,059	89,044
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FIXED ASSETS, at cost

Mining property	239,426	239,426
Land, buildings, machinery and equipment	1,438,602	1,190,361
	<u>1,678,028</u>	<u>1,429,787</u>
Less accumulated depreciation (note 2)	289,940	144,521
	<u>1,388,088</u>	<u>1,285,266</u>

OTHER ASSETS AND DEFERRED CHARGES

Preproduction expenditures, at amortized value (note 2)	56,754	66,042
Other mining claims, at cost and deferred exploration expenditures thereon	11,680	11,680
	<u>68,434</u>	<u>77,722</u>

Approved by the Board:

"D. W. KNIGHT", Director

"R. D. BELL", Director

<u>\$1,895,082</u>	<u>\$1,696,851</u>
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AUDITORS' REPORT

To the Shareholders of
New Mount Costigan Mines Limited

We have examined the consolidated balance sheet of New Mount Costigan Mines Limited and its subsidiaries, statements of income and deficit and source and application of funds for the year then ended, and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion these consolidated financial statements present fairly the financial position of the company and the source and application of their funds for the year then ended, in accordance with the preceding year.

Toronto, Canada
February 26, 1971

LIABILITIES

CURRENT LIABILITIES

	1970	1969
Bank loans, secured		\$ 230,699
Accounts payable and accrued liabilities	\$ 152,728	286,112
Loan payable, secured		114,000
Loan payable to a shareholder (note 1)	248,020	74,069
	<u>400,748</u>	<u>704,880</u>

MINORITY INTEREST, in Naracoopa Rutile Limited

Preference shares (note 3)	487,704	683,825
Ordinary shares	434,950	129,759
	<u>922,654</u>	<u>813,584</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)

Authorized

133,896 5% Non-cumulative preference shares, redeemable at
par value of \$1 each

5,000,000 Common shares without par value

Issued

62,775 Preference shares (1969, 128,879 shares)	62,775	128,879
3,116,481 Common shares (1969, 2,530,964 shares)	1,092,240	740,930

	<u>1,155,015</u>	<u>869,809</u>
CONTRIBUTED SURPLUS arising on redemption of preference shares	26,442	

	<u>1,181,457</u>	<u>869,809</u>
DEFICIT	609,777	691,422

	<u>571,680</u>	<u>178,387</u>
	<u>\$1,895,082</u>	<u>\$1,696,851</u>

nes Limited and its subsidiaries as at December 31, 1970 and the consolidated
ded. Our examination included a general review of the accounting procedures and
ecessary in the circumstances.

sition of the companies as at December 31, 1970 and the results of their operations
h generally accepted accounting principles applied on a basis consistent with that of

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

NEW MOUNT COSTIGAN MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

Year Ended December 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Revenue from production of concentrates	\$1,110,323	\$ 547,697
Mine operating expenses	706,595	412,752
Administrative and general expenses	54,462	32,884
Interest expense	32,777	29,751
Depreciation and amortization (note 2)	158,667	153,809
General exploration expenditures	23,488	16,839
Cost of mining claims abandoned and deferred expenditures thereon		14,604
Incorporation and financing expenses		6,600
	<u>975,989</u>	<u>667,239</u>
Income (loss) before interest of minority shareholders	134,334	(119,542)
Interest of minority shareholders in subsidiary	52,689	54,036
Net income (loss) for the year	81,645	(173,578)
Deficit at beginning of year	691,422	517,844
Deficit at end of year	<u>\$ 609,777</u>	<u>\$ 691,422</u>
Earnings (loss) per share	<u>\$.03</u>	<u>\$ (.07)</u>

NEW MOUNT COSTIGAN MINES LIMITED
AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

Year Ended December 31, 1970

(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
SOURCE OF FUNDS		
Income (loss) before interest of minority shareholders	\$ 134,334	\$ (119,542)
Items not involving an outlay of funds		
Depreciation and amortization	158,667	153,809
Other		21,204
	<u>293,001</u>	<u>55,471</u>
Issue of common shares	311,648	
Issue of ordinary shares of subsidiary	56,381	
Other		5,151
	<u>661,030</u>	<u>60,622</u>
APPLICATION OF FUNDS		
Additions to fixed assets	252,216	424,592
Preproduction expenditures		10,710
	<u>252,216</u>	<u>435,302</u>
Increase (decrease) in working capital position	408,814	(374,680)
Working capital deficiency at beginning of year	460,061	85,381
Working capital deficiency at end of year	<u>\$ 51,247</u>	<u>\$ 460,061</u>

NEW MOUNT COSTIGAN MINES LIMITED

AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

1. BASIS OF CONSOLIDATION

The accounts of the company's wholly owned subsidiary, Costigan Mining Australia Pty. Limited and its subsidiary, Naracoopa Rutile Limited are consolidated in these financial statements. The accounts of the subsidiaries are maintained in Australian dollars and have been converted as set out below except in those cases where actual dollar amounts are applicable to particular transactions.

Current assets and current liabilities at the prevailing rate of exchange at the date of the balance sheet.

All other assets, minority interest, income and expenditures at the average rate of exchange for the period in which they originated.

During the year, the company's interest in the ordinary shares of Naracoopa was reduced from 86% to 68% and may be further reduced to 57% if certain of the preference shares are converted (see note 3), and to 49.9% if in addition to the foregoing, a shareholder elects to convert a loan to Naracoopa of A.\$200,000 into ordinary shares.

2. DEPRECIATION AND AMORTIZATION POLICY

Naracoopa Rutile provides for depreciation of fixed assets and amortization of preproduction expenditures on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

3. PREFERENCE SHARES OF NARACOOPA RUTILE LIMITED

During the year 198,400 preference shares were converted to 396,800 ordinary shares. Naracoopa Rutile has issued and outstanding at December 31, 1970, 301,600 9% cumulative preference shares of par value A.\$1 each (Cdn. \$367,952) redeemable at par as follows:

- 1,600 shares on September 30, 1970 (not yet surrendered for redemption)
- 200,000 shares on or before September 30, 1971 unless the holders exercise their option to convert these shares into 400,000 ordinary shares at redemption
- 100,000 shares on or before September 30, 1972

All preference shares are held by minority shareholders.

Included in the minority interest relative to the preference shares is a provision for the undeclared cumulative dividends of \$119,752 (1969, \$73,825).

4. CAPITAL STOCK

During the year 519,413 common shares were issued for \$311,648 and an additional 66,104 common shares were issued under an offer to the holders of preference shares in exchange for 66,104 preference shares surrendered for cancellation.

5. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (as defined by The Business Corporations Act, 1970) was \$12,950 in 1970 (\$12,600 in 1969).

